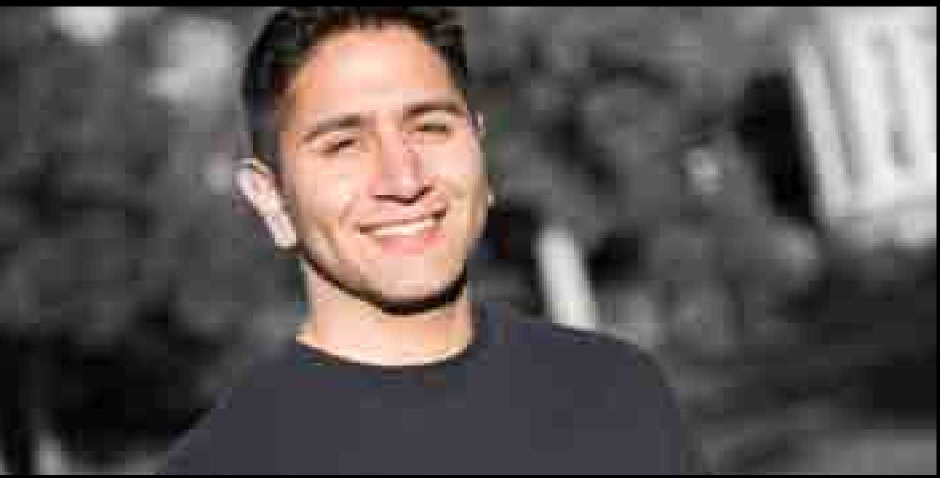
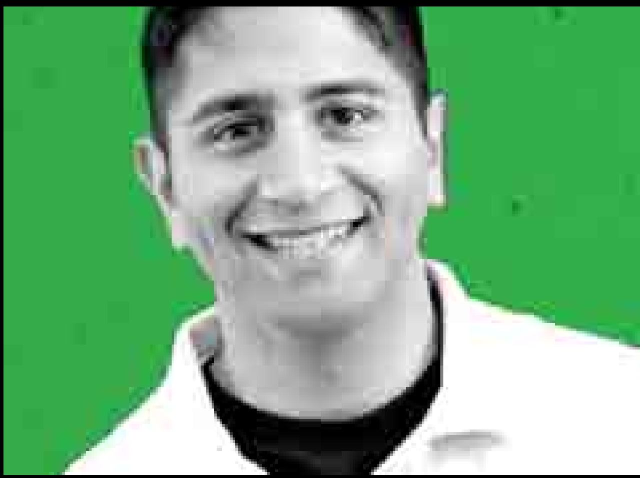
LOAN COUNSELING



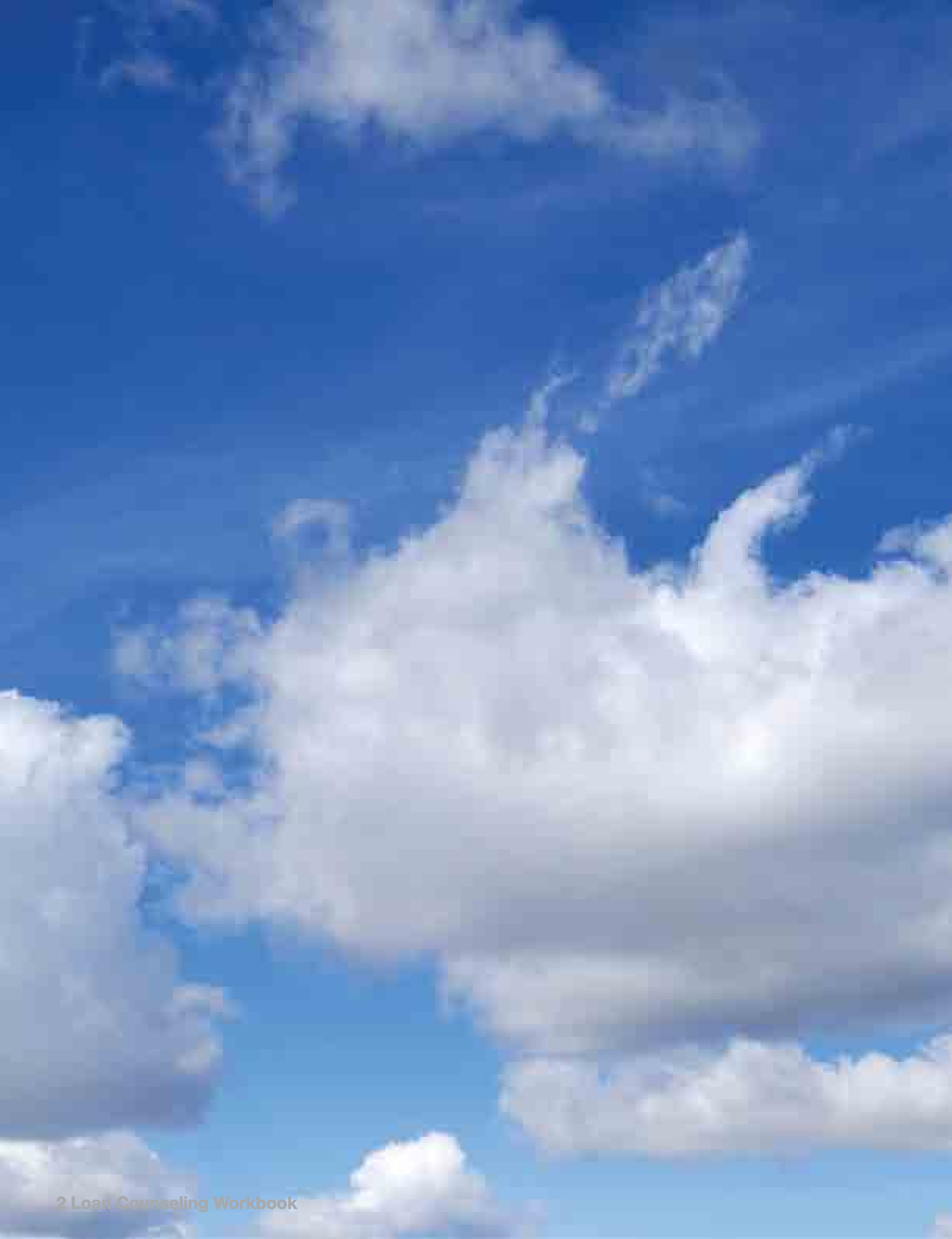


MDHE
Missouri Department of Higher Education
Building Missouri's future... by degrees®

30th ANNIVERSARY

2009-2010

A Workbook for Entrance and Exit Loan Counseling



ENTRANCE COUNSELING CHECKLIST

Required elements of entrance counseling

Financial aid officers conducting entrance counseling must:

- Reinforce the importance of repayment (Pages 22-25)
- Describe the consequences of default (Pages 32-33)
- Explain the use of the MPN (Page 10)
- Emphasize that repayment is required, regardless of educational outcome or subsequent employability (Page 4)
- Provide sample monthly repayment amounts (Pages 24-27)
- Discuss the effect of accepting a loan on eligibility to receive other forms of financial aid (Page 7)
- Explain how interest accrues and is capitalized if not paid during in-school and deferment periods (Page 8, 9, and 12)
- Review the school's definition of half-time enrollment during both regular terms and summer terms, and describe the consequences of not maintaining half-time enrollment (these notes may be added to page 13)
- Provide the appropriate school contact information and procedures for withdrawing or dropping below half-time enrollment
- Explain the information available on the NSLDS and how to access these records (Page 5)
- Review average indebtedness and sample repayments charts (Pages 24-27)
- Provide the name and contact information for a person to contact with any questions about a loan (Please refer to the MDHE *Loan Portfolio*)

Suggestions

- Review terms and conditions of the loan (Pages 8-10)
- Review repayment options (Pages 24-25)
- Discuss how to manage expenses (budgeting) (Pages 3-6)
- Reinforce the importance of communication change of status to the lender (Page 22-23)
- Review deferments and forbearances (Pages 29-31)
- Review borrower's rights and responsibilities (See Entrance Interview Verification Form)
- Remind borrower of refund and other policies affecting withdrawals (Page 11)
- Reinforce the importance of keeping loan records (Page 4)
- Reminder about exit counseling

Furthering your education is a decision you make to develop your potential and to pursue career goals. It is also a major investment of your time, effort, and money.

TIP
Keep a file of your student loan records.

Use the MDHE *Loan Portfolio* to keep copies of the following information in one place:

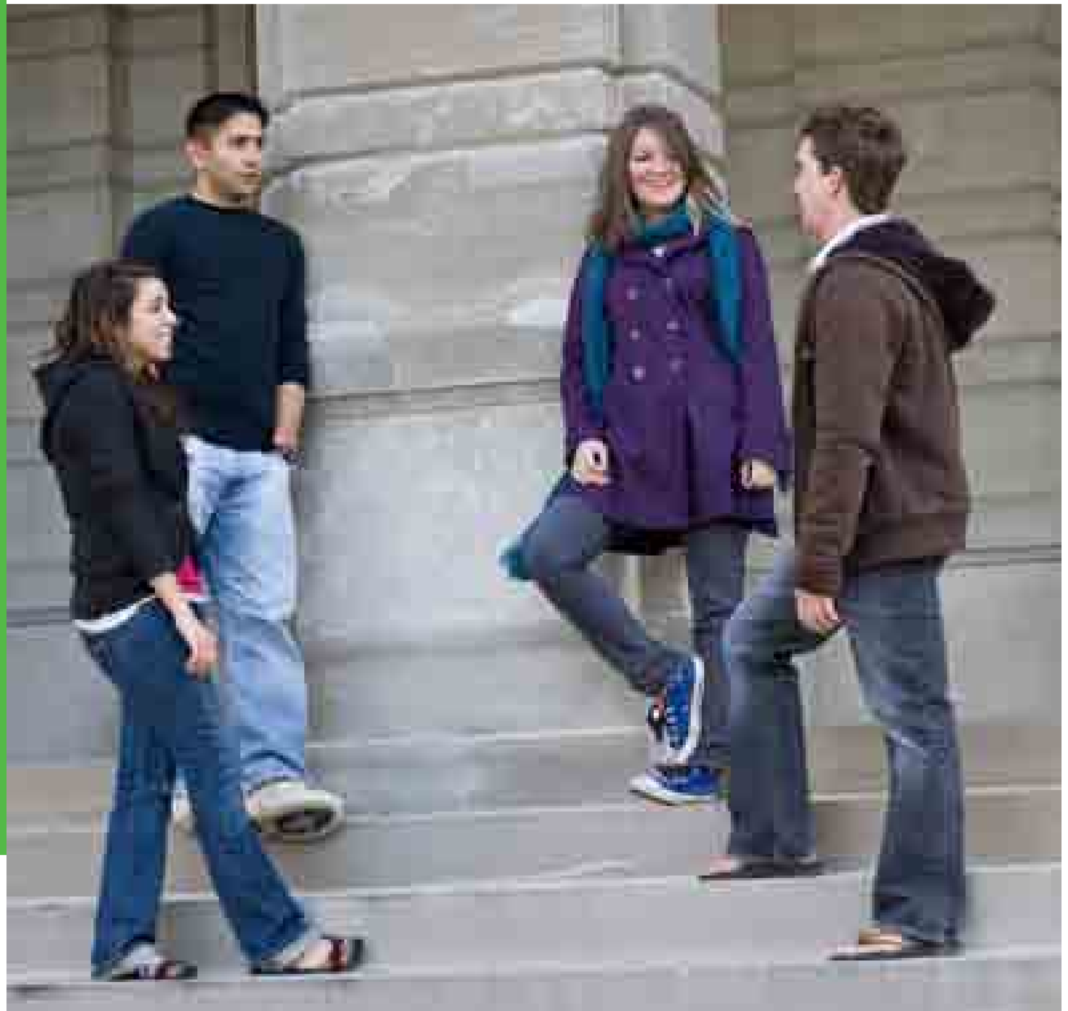
- Loan applications and promissory notes
- Student Aid Reports (SARs) and verification worksheets
- Guarantee and repayment disclosure statements
- Receipts (e.g., from your school cashier's office)
- Financial aid award letters
- Deferment and forbearance requests
- Financial aid correspondence to and from your school, lender or lender servicer, or guarantor
- Names, dates, and brief descriptions of phone conversations with lender personnel
- Entrance and exit interview forms
- Your Borrower Rights and Responsibilities checklist
- Other financial aid forms and applications (e.g., scholarship or grant materials)
- Brochures and other loan information from your school, lender or lender servicer, or guarantor
- Sample monthly repayment amounts your school may provide

Repaying student loans is a responsibility that will not go away until loans are paid in full. Borrowing for your education has long-term effects, but there is no reason the outcome should not be positive.

The Missouri Department of Higher Education (MDHE) has provided this guide to help you manage your student loan debt wisely. It will inform you of options available before and throughout your repayment period, and help you manage your Federal Family Education Loan Program (FFELP) debt through careful planning.

Remember:

- Student loans must be repaid, even if you are not satisfied with your education, do not finish school, and are unable to find a job.
- The amount of money you decide to borrow for school may affect your lifestyle after you leave school.
- Your ability or inability to repay your student loan will affect your credit rating for purchases such as a car or home.
- Failure to repay your student loan can increase your total debt because unpaid interest and collection costs may be added to your loan balance.



Create A Budget

Budgeting puts you in control. Maintaining a monthly budget helps you make better decisions and manage your debt more efficiently. As you complete your budget worksheet on the next page, remember:

- **Be realistic!** Don't cut basic necessities.
- **Be flexible!** Your budget won't work if it is too restrictive.
- **Keep it simple!** Don't get so detailed that your budget becomes a chore instead of a useful tool.
- **Give it time!** Your budget will prove itself over the long term.
- **Keep it updated!** Don't let your budget become inaccurate and less effective.

Completing your budget worksheet can be easy!

1. Identify your sources of income for the academic year. Include savings, help from parents and relatives, gifts, financial aid, salary, and other earnings. **Record and total your income.**
2. Calculate your expenses. Include the academic year's tuition, room and board, books, fees, utilities, transportation, and medical and personal expenses. **Record and total your expenses.**
3. Subtract your expenses from your income to **calculate your discretionary income** - your remaining funds - for the academic year. If you do not have enough money left over, use page 7 to identify alternative borrowing methods and make any necessary adjustments.

Before you decide how much to borrow, take a look at your budget for school and make some choices. Do not borrow more than you need!

Stay organized.
Keep a list of all your loans in one easy-to-find location, such as the MDHE *Loan Portfolio*. If you are uncertain about your current loan amounts or loan holders, check your student loan records on the National Student Loan Data System (NSLDS) at **www.nslds.ed.gov**. You will need your FAFSA PIN to access your NSLDS records **www.pin.ed.gov**.

If you do not have Internet access, you may call (800) 4-FED-AID for this information.

Know what your student loan payments will be.
If you haven't done so already, use the loan calculator on Mapping Your Future's Web site (**mappingyourfuture.org/paying/standardcalculator.htm**), or use the repayment charts on pages 24-27 to estimate your monthly student loan payments. Then **Plot Your Payment** on page 7 to estimate the percentage of your monthly income that will be needed to make your loan payments.

TIP
Estimate your anticipated salary after you graduate to determine what loan payments you will be able to afford. You may also want to develop a postgraduate budget. (See pages 17-19.)

Be sure you will have affordable debt levels at the time you begin repaying your student loan. See pages 24-27 for sample student loan repayment charts. Then complete the simple equation on page 7 to help you estimate what percentage of your monthly income you will need to make your loan payments.

Budget Worksheet Year: ________

Income		Annually
Savings, Family Contribution, and Gifts		
Income – *includes employment earnings, college work-study, nontaxable income, and other*		
Grants – *may include federal, state, and/or private assistance that does not have to be repaid, such as the Federal Pell Grant, Federal Supplemental Educational Assistance Grant (FSEOG), and awards from the Access Missouri Financial Assistance Program*		
Scholarships – *may include state, institutional, or private assistance that does not have to be repaid, such as tuition waivers/credits, stipends, assistantships/fellowships, and the Missouri Higher Education Academic "Bright Flight" Scholarship*		
Loans – *may include the Federal Perkins Loan, Federal Stafford Loan, Federal PLUS Loan, and institutional and private loans*		
Miscellaneous Financial Aid – *may include assistance received from other sources, such as vocational rehabilitation*		
Total Annual Income		$

Expenses	Monthly	Annually
Savings Plans		
Educational – *includes tuition, fees, books and supplies, and special equipment*		
Housing – *includes rent/mortgage, utilities, phone, and groceries or meal plan*		
Transportation – *includes car payment, fuel, maintenance, and repairs*		
Personal – *includes household supplies, clothing, dry cleaning/laundry, and other personal items*		
Insurance – *includes medical, life, car, and personal property insurance*		
Discretionary – *includes entertainment, gifts (e.g., charities, holidays), and membership fees*		
Miscellaneous – *includes child care, alimony or support, installments (e.g. credit cards) and emergencies*		
Total Annual Expenses		$

Discretionary Income	
Annual Income	
minus **Annual Expenses**	–
equals **Remaining Funds**	= $

Plot Your Payment

A. Record your estimated yearly salary after graduation. **A = annual gross income**	
B. Divide your estimated annual gross income by 12 to get your estimated monthly gross income. **B = A ÷ 12**	
C. Determine the total loan amount you plan to borrow for all years of college. Using the repayment charts on pages 18 and 19, record the monthly payment amount. **C = monthly loan payment**	
D. Calculate what percentage of your monthly gross income you will need to make your loan payments. **D = (C ÷ B) x 100**	**Is this figure 8% or less? (see TIP on page 8)**

Consider Alternatives to Borrowing

The result of comparing income and expenses on paper may be surprising, but by increasing your income and/or decreasing your expenses you may be able to borrow less.

Ways to Increase Your Resources

Cooperative Education – Some schools offer work-for-credit programs.

Financial Assistance – Your school awards financial aid based on your Free Application for Federal Student Aid (FAFSA). Sometimes unusual circumstances that were not reflected on the FAFSA may also be taken into consideration. Contact your school's financial aid office if you have any exceptional circumstances.

Military – Local military recruiters can provide information about their educational financing options. You may also visit **www.va.gov** for information regarding veterans benefits.

Reduce Discretionary Spending – You may need to reduce or eliminate spending for items that are not absolutely necessary. For example, eliminate cable television, reduce the number of trips to the movie theater, or go to the library for books and magazines instead of buying your own copies.

Sponsorship – Some organizations and companies pay college expenses in return for work after graduation.

Tax Relief – The Taxpayer Relief Act of 1997 created a federal tax deduction for interest payments you make on federal student loans. It also created tax credits (e.g., HOPE Credit and Lifetime Learning Credit) for individuals paying tuition and education-related expenses. For more information about tax credits and student loan interest deductions, visit **www.irs.gov** and refer to Publication 970 or contact the Internal Revenue Service at (800) 829-1040.

Tuition Reimbursement– Employers may reimburse or provide financial assistance to employees for college expenses.

Work – Federal Work-Study, internships, part-time jobs, summer and holiday work provide income as well as work experience and references.

You should also check with community groups, businesses, religious groups, and civic and service organizations who offer scholarships.

Federal Family Education Loan Program (FFELP)

Be informed about your loan. By now, you know you are receiving or have received a FFELP loan. You should also know who your loan holder is and which guaranty agency—either the MDHE or another—is guaranteeing your loan.

FFELP offers the following types of student loans:

- Subsidized Federal Stafford Loans
- Unsubsidized Federal Stafford Loans
- Federal PLUS Loans for Parents (for their dependent undergraduate students)
- Federal PLUS Loans for Graduate/Professional Students (for themselves)
- Federal Consolidation Loans

FFELP loans offer convenient repayment options in addition to the standard 10-year repayment term. (See page 24-25 for details.)

TIP

Most financial advisors recommend student loan payments not exceed 8% of monthly **gross** income.
In addition, the total non-mortgage debt (including student loans, car loans, and credit cards) should not exceed 12% of **net** income.

Subsidized and Unsubsidized Federal Stafford Loans

The subsidized Federal Stafford Loan is based on financial need, which is determined by using a standard federal formula. A loan is subsidized when the federal government pays the interest for you:

- While you are enrolled in school at least half time
- During your six-month grace period (after you stop attending school at least half time)
- During authorized deferment periods

The **unsubsidized** Federal Stafford Loan is not based on financial need and is available to all students regardless of income and as long as your total expected financial assistance does not exceed your cost of attending school. Because this loan is not subsidized by the federal government, you are responsible for paying all interest that accrues during in-school, grace, deferment, and forbearance periods. You are encouraged to make interest payments while in school since your lender will capitalize the interest (i.e., add the unpaid interest to your principal balance). If you do not make interest payments while in school, the loan will cost you more in the long run.

Loan Fees

Federal Law allows origination and default fees to be charged to student loan borrowers. Unless your lender is subsidizing these, the fees will be deducted from your total loan amount and the difference will be disbursed to your school.

For the 2009-2010 academic year, the Origination Fee (OFee) is 0.5% of the loan amount for Stafford Loans and is remitted to the U.S. Department of Education. For Federal Stafford Loans, your lender may choose to pay all or a portion of the OFee on your behalf.

The Federal Default Fee (FDF) is equal to one percent of the loan amount, but some guarantors will pay the FDF on your behalf. For the 2009-2010 academic year, the MDHE will pay the 1% FDF for students attending Missouri schools when the MDHE is the guarantor.

Stafford Loan Standard Repayment Terms

Maximum Repayment Period 10 years
Minimum Payment $50 per month
See Pages 24-27 for additional repayment information

Interest Rates

Subsidized Federal Stafford Loan
A fixed rate of 5.6% percent for loans for undergraduate borrowers with a first disbursement between July 1, 2009 and June 30, 2010. The rate for graduate student borrowers is 6.8%. The federal government will pay the interest on your loan while you are continuously enrolled at least half time, are in your six-month grace period (after you stop attending school at least half time), or have been granted a deferment.

Unsubsidized Federal Stafford Loan
A fixed rate of 6.8% for loans with a first disbursement between July 1, 2009 and June 30, 2010. Interest begins accruing on the loan immediately after the first disbursement and continues to accrue until the principal balance is paid in full.

Stafford Loan Borrowing Limits
(Cumulative for all years of school)

		Unsubsidized Loans					
		Dependent Students			Independent Students		
Borrower's Academic Level	Limit	Base Amount	Additional Unsub	Limit Total Sub + Unsub	Base Amount Sub + Unsub	Additional Unsub	Limit Total Sub + Unsub
Undergraduate	$23,000	$23,000	$8,000	$31,000	$23,000	$34,500	$57,500
Graduate/Professional*	$65,500	n/a	n/a	n/a	$65,500	$73,000	$138,500

Annual Loan Limits for Dependent Students

Borrower's Academic Level	Base Amount Sub + Unsub	Additional Unsub	Total Amount
First-Year Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$3,500	$2,000	$5,500
Second-Year Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$4,500	$2,000	$6,500
Third-Year & Remaining Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$5,500	$2,000	$7,500

* Certain health profession students may be eligible for additional unsubsidized Federal Stafford Loan Amounts.

Annual Loan Limits for Independent Students

Borrower's Academic Level	Base Amount Sub + Unsub	Additional Unsub	Total Amount
First-Year Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$3,500	$6,000	$9,500
Second-Year Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$4,500	$6,000	$10,500
Third-Year & Remaining Undergraduate			
Less than one academic year	prorated		prorated
One academic year	$5,500	$7,000	$12,500
Graduate/Professional*	$8,500	$12,000	$20,500

Federal Family Education Loan Program (FFELP)

Federal PLUS Loans

Federal PLUS Loans are available to parents (for their dependent undergraduate students) and to graduate and professional students (for themselves). (Note: only graduate student PLUS borrowers are required to complete entrance and exit counseling.)

PLUS Loans are not based on financial need, so parents and students of all income levels are eligible, although borrowers cannot have an adverse credit history. A natural parent, stepparent, or adoptive parent may borrow for each dependent child who is enrolled in school at least half time and who is maintaining satisfactory academic progress, as determined by the school. The borrowing limit for a PLUS Loan is based on the cost of attendance minus any expected financial assistance.

PLUS borrowers generally begin repaying PLUS Loans within 60 days after the loan is fully disbursed. However, graduate students and parent borrowers may request an immediate in school deferment. (Pages 30-31.)

The interest rate is fixed at 8.5%, although some lenders may offer a reduced rate. For more information, parents and students may contact the school's financial aid office or the MDHE at **info@dhe.mo.gov**.

Master Promissory Note

A student or parent applies for a FFELP loan by signing a Master Promissory Note (MPN). The Federal Stafford and PLUS Loan MPNs allow borrowers to receive subsequent loans for up to 10 years without signing another note. Generally, multiple loans may be made from the same note provided the lender does not change and you continue to attend school in the United States. (Note: Some schools may require a new MPN for each new Federal Stafford or PLUS Loan. The school will inform you of its MPN procedures.)

Every year, schools notify eligible Stafford or PLUS Loan applicants of the maximum loan amount for which they are eligible. That does not mean that you must accept the maximum loan amount. You may request to borrow less than the maximum amount for which you are eligible, refuse the entire loan, or revoke a lender's ability to make subsequent loans under an existing MPN. Contact your school or lender for more information about how to exercise these rights.

Often, loans are sold to a secondary market or other loan holder as they near repayment, so it is a good idea for you, as a borrower, to contact your preferred lender to make sure the lender retains the right to make additional loans under an existing MPN.

PLUS Loan Processing Fees

Fee	Maximum Amount	Paid to
Origination	3% of loan amount (This fee is paid by the borrower.)	U.S. Department of Education
Default (FDF)	1% of loan amount*	Guaranty Agency

For the 2009-2010 academic year, the MDHE will pay the 1% FDF for students attending Missouri schools who list the MDHE as the guarantor.

PLUS Loan Standard Repayment Terms

Maximum Repayment Period	Minimum Payment Amount
10 years	$50 per month

PLUS Loan Borrowing Limits

Maximum Limit	All PLUS Borrowers
None	Educational Costs − Grants, Scholarships, Loans, and other aid = PLUS Loan Amount

Receiving Your Loan Funds

The federal government requires that you receive your FFELP loan in multiple disbursements. Do not expect to receive all the money at once.

Depending on your school's procedures, your FFELP loan funds will be disbursed to your school in one of two ways:

- **Electronic Funds Transfer (EFT)** – With EFT, your funds are electronically transmitted from your lender to your school and then credited to your student account to pay school charges. This method is usually faster and easier than receiving a paper check. Through the Master Promissory Note, your signature will automatically authorize the school to credit your student account via EFT unless you request otherwise in writing.

- **Paper check –** Your lender will send your school a check that you will be required to sign before the funds are deposited into your student account.

After receiving your loan funds from your lender, your school must apply the funds to your student account within three business days. Any excess proceeds remaining after all of your school charges have been paid will be released to you via a stored value card, direct deposit into your personal bank account, or a paper check. Your school's student accounts office can provide more information about your school's specific procedures.

You cannot receive or keep loan funds you have already received if you:

- Do not enroll at least half time at your school
- Do not attend at least one day of classes (Note: If you attend at least one day of classes but withdraw before the term is completed, you may still be required to return a portion of any loan funds received for that term.)
- Use your loan to pay for anything other than educational expenses
- Provide false information that causes you to receive a loan for which you are not eligible

TIP

Maintain satisfactory academic progress.

To continue to receive FFELP funds, you must maintain satisfactory academic progress as defined by your school.

Check your school catalog or handbook for its minimum cumulative grade point average and maximum time period for completing your program of study.

Student Loan Interest Payments

Students who pay interest on their loans while in school can reduce their total debt and may have lower monthly payments after they leave school. See the chart below.

Monthly Interest Payments For Student Loans					
Principal	**5%**	**6.8%**	**7.9%**	**8.25%**	**8.5%**
$3,500	$14.58	$19.83	$23.04	$24.06	$24.79
$5,000	$20.83	$28.33	$32.92	$34.38	$35.42
$7,500	$31.25	$42.50	$49.38	$51.56	$53.13
$10,000	$41.67	$56.67	$65.83	$68.75	$70.83
$12,500	$52.08	$70.83	$82.29	$85.94	$88.54
$15,000	$62.50	$85.00	$98.75	$103.13	$106.25
$17,500	$72.92	$99.17	$115.21	$120.31	$123.96
$20,000	$83.33	$113.33	$131.67	$137.50	$141.67
$25,000	$104.17	$141.67	$164.58	$171.88	$177.08
$30,000	$125.00	$170.00	$197.50	$206.25	$212.50
$35,000	$145.83	$198.33	$230.42	$240.63	$247.92
$57,500	$239.58	$325.83	$378.54	$395.31	$407.29
$65,000	$270.83	$368.33	$427.92	$446.88	$460.42
$72,500	$302.08	$410.83	$477.29	$498.44	$513.54
$87,500	$364.58	$495.83	$576.04	$601.56	$619.79
$95,000	$395.83	$538.33	$625.42	$653.13	$672.92
$102,500	$427.08	$580.83	$674.79	$704.69	$726.04
$117,500	$489.58	$665.83	$773.54	$807.81	$832.29
$138,500	$577.08	$784.83	$911.79	$952.19	$981.04

Example

Joe borrows a total of $18,000 in unsubsidized Federal Stafford Loans during four years of school. Joe's interest rate is 6.8% on all loans borrowed.

	Amount Borrowed	Debt	Total Interest
Year 1	$4,000	$4,279.01	$23.25/mo • $279.01/yr
Year 2	$4,000	$8,856.50	$48.12/mo • $577.49/yr
Year 3	$5,000	$14,823.04	$80.55/mo • $966.54/yr
Year 4	$5,000	$21,205.77	$115.23/mo • $1,382.73/yr

Total interest accrued on loans while in school $3,205.77.

Joe saves $1,427.24 in interest over the life of the loan by making interest payments while in school!

Repayment Based on 10-year period

Monthly payment if interest WAS paid before repayment began:	**$207.14**
Monthly payment if interest was NOT paid before repayment began:	**$244.04**
Total interest paid over the life of all loans (if interest payments made while in school):	**$9,857.00**
Total interest paid over the life of all loans (if interest is NOT paid while in school):	**$11,284.24**

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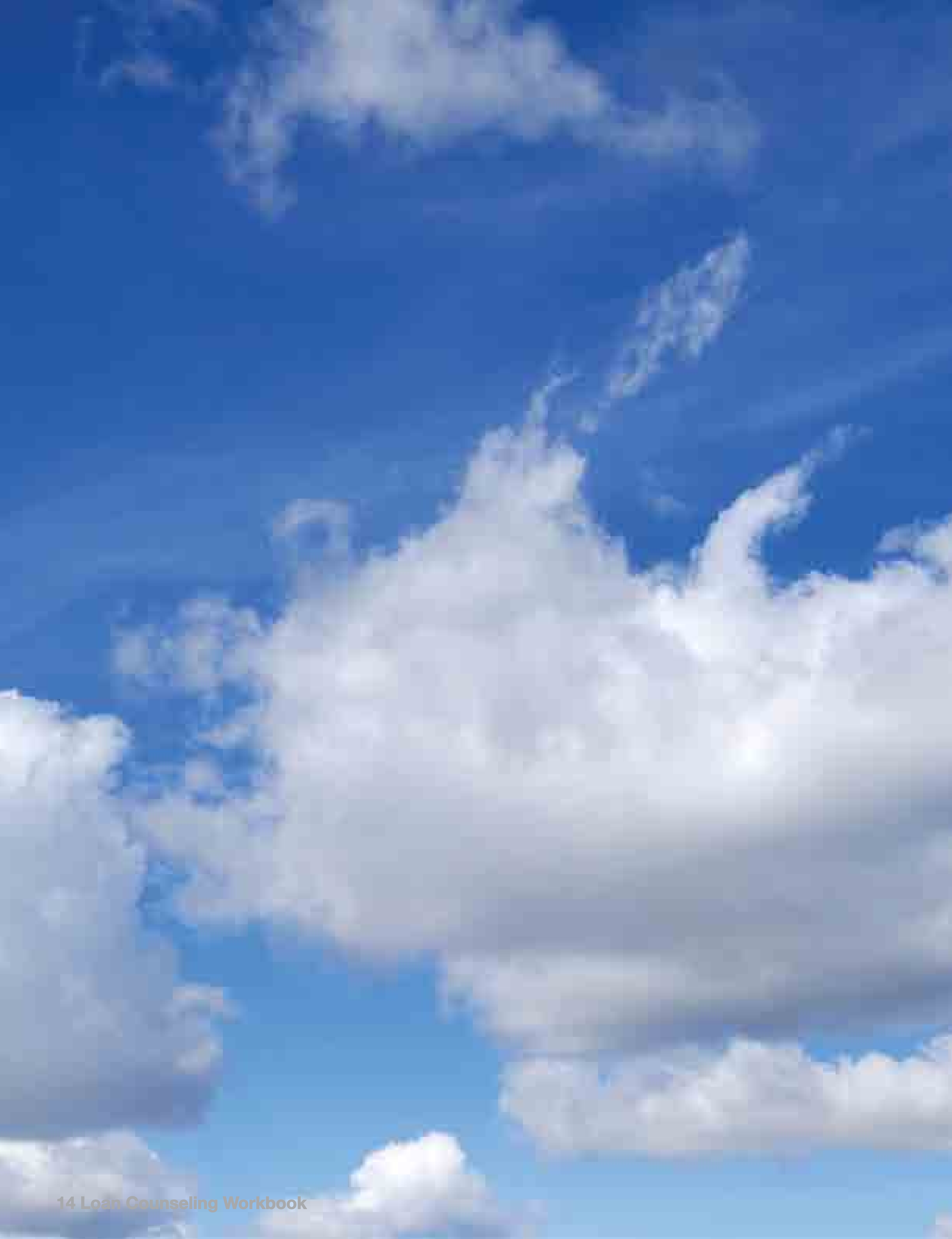

EXIT COUNSELING CHECKLIST

Required elements of exit counseling

Financial aid officers conducting exit counseling must:

- Review entrance counseling information:
  - Reinforce the importance of repayment (Pages 22-25)
  - Describe the consequences of default (Pages 32-33)
  - Explain the use of the MPN (Page 10-11)
  - Emphasize that repayment is required, regardless of educational outcome or subsequent employability (Pages 16-17)
  - Provide sample monthly repayment amounts (Pages 24-25)
- Provide an average anticipated monthly repayment amount (Pages 24-25)
- Review repayment options (Pages 24-25)
- Discuss debt management strategies (Pages 17, 28-31)
- Review deferments, forbearances, and cancellations (Pages 29-31)
- Inform the student of FSA Ombudsman's office information (Page 33)
- Ensure that borrowers understand their rights and responsibilities (See Exit Interview Verification Form)
- Collect and update personal and contact information (See Exit Interview Verification Form)
- Explain the information available on the NSLDS and how to access these records (Page 17)
- Review the repayment plans available, including the features of each plan and difference in interest and total payments for each plan (Pages 24-27)
- Discuss the pros and cons of consolidation, such as the effects on total interest paid, the length of repayment, the potential loss of underlying loan benefits (grace periods, deferments, cancellation or forgiveness options), and repayment options (Pages 25 and 28)
- Provide information about tax benefits that may be available, including:
  -Hope Scholarship Tax Credit (Page 23)
  -Lifetime Learning Tax Credits (Page 23)
  -College Tuition Deduction
  -Student Loan Interest Deduction (Page 23)

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TIP
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Remember:

- Student loans must be repaid. The amount of money you decide to borrow for school may affect your lifestyle after you leave school.
- Your ability or inability to repay your student loan will affect your credit rating for purchases such as a car or home.
- Failure to repay your student loan can increase your total debt because unpaid interest and collection costs may be added to your loan balance.

Keep in mind that you will have to repay your loans even if you are not satisfied with your education, do not finish school, or are unable to find a job. Plan ahead for repaying your loans and budget wisely.

If you decide to return to school

If you received a Federal Stafford Loan under a Master Promissory Note (MPN) and you are returning to school in the United States, you may be able to receive subsequent loans for up to 10 years from the date you signed the MPN without signing another note. Each year, your school will notify you of the Federal Stafford Loan amount for which you are eligible. You have the right to reduce or refuse your Federal Stafford Loan amount and to revoke your lender's ability to make subsequent loans under an existing MPN. Contact your school or lender for more information about how to exercise these rights.

Often, loans are sold to a secondary market or other loan holder as they near repayment, so when you return to school it is a good idea to contact the lender on your MPN to ensure they retain the right to make additional loans for you under that existing MPN. If you decide to change lenders, you must sign another note. If you transfer to another school, you should advise your new school that you received previous loans from a particular lender under an existing MPN.

Depending upon the school you attend, you may be required to sign an MPN for each loan you receive.

If you or your parent previously borrowed a Federal PLUS Loan for your education under an MPN and you re-enroll at a school in the United States, you or your parent may be able to receive additional loans from the existing MPN without signing another note.

Your school will inform you of its MPN procedures.

Create A Budget

Budgeting puts you in control. Maintaining a monthly budget helps you make better decisions and manage your debt more efficiently. As you complete your budget worksheet on the next page, remember:

- **Be realistic!** Don't cut basic necessities.
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- **Keep it simple!** Don't get so detailed that your budget becomes a chore instead of a useful tool.
- **Give it time!** Your budget will prove itself over the long term.
- **Keep it updated!** Don't let your budget become inaccurate and less effective.

Completing your budget worksheet can be easy!

1. Identify your sources of income for the academic year. Include savings, help from parents and relatives, gifts, financial aid, salary, and other earnings. **Record and total your income.**
2. Calculate your expenses. Include the academic year's tuition, room and board, books, fees, utilities, transportation, and medical and personal expenses. **Record and total your expenses.**
3. Subtract your expenses from your income to **calculate your discretionary income** - your remaining funds - for the academic year. If you do not have enough money left over, use page 18 to identify alternative borrowing methods and make any necessary adjustments.

Before you decide how much to borrow, take a look at your budget for school and make some choices. Do not borrow more than you need!

Stay organized.
Keep a list of all your loans in one easy-to-find location, such as the MDHE *Loan Portfolio*. If you are uncertain about your current loan amounts or loan holders, check your student loan records on the National Student Loan Data System (NSLDS) at **www.nslds.ed.gov**. You will need your FAFSA PIN to access your NSLDS records (**www.pin.ed.gov**). If you do not have Internet access, you may call (800) 4-FED-AID for this information.

Know what your student loan payments will be.
If you haven't done so already, use the loan calculator on Mapping Your Future's Web site (**mappingyourfuture.org/paying/standardcalculator.htm**), or use the repayment charts on pages 26 and 27 to estimate your monthly student loan payments. Then **Plot Your Payment** on page 19 to estimate the percentage of your monthly income that will be needed to make your loan payments.

TIP
Estimate your anticipated salary after you graduate to determine what loan payments you will be able to afford. You may also want to develop a postgraduate budget.

Be sure you will have affordable debt levels at the time you begin repaying your student loan. See pages 26 and 27 for sample student loan repayment charts. Then complete the simple equation on page 19 to help you estimate what percentage of your monthly income you will need to make your loan payments.

Budget Worksheet Year: __________

Income	Monthly	Annually
Income – *includes employment earnings, nontaxable income, and other*		
Savings and Gifts		
Total Annual Income		$
Expenses	**Monthly**	**Annually**
Savings Plans		
Loan Payments – *may include Stafford Loan, Federal PLUS Loan, Federal SLS Loan, Federal Perkins Loan, and other loans*		
Housing – *includes rent/mortgage, utilities, phone, groceries, furnishings, decorating, and taxes*		
Transportation – *includes car payment, fuel, maintenance, and repairs*		
Personal – *includes household supplies, clothing, dry cleaning/laundry, and other personal items*		
Insurance – *includes medical, life, car, and personal property insurance*		
Discretionary – *includes entertainment, dining out, gifts (e.g., charities, holidays), and membership fees*		
Miscellaneous – *includes child care, alimony or support, installments (e.g. credit cards) and emergencies*		
Total Annual Expenses		$
Discretionary Income		
Annual Income		
minus **Annual Expenses**		
equals **Remaining Funds**		= $

Plot Your Payment

A. Record your estimated yearly salary after graduation. **A = annual gross income**	
B. Divide your estimated annual gross income by 12 to get your estimated monthly gross income. **B = A ÷ 12**	
C. Determine the total loan amount you plan to borrow for all years of college. Using the repayment charts on pages 18 and 19, record the monthly payment amount. **C = monthly loan payment**	
D. Calculate what percentage of your monthly gross income you will need to make your loan payments. **D = (C ÷ B) x 100**	**Is figure D 8% or less? See Tip.**

Examples of when a student's first loan payment is due:

Federal Stafford Loan (sub and unsub)

Less than half time date:	May 30, 2010
Grace period begins:	June 1, 2010
Grace period ends:	Nov. 30, 2010
First payment due **no later** than:	Jan. 30, 2011

Federal PLUS Loan

First disbursement:	Aug. 25, 2010
Second disbursement:	Jan. 5, 2011
First payment due* **no later** than:	March 5, 2011

(***Note:** graduate students and some parent borrowers can request an immediate in-school deferment.)

TIP

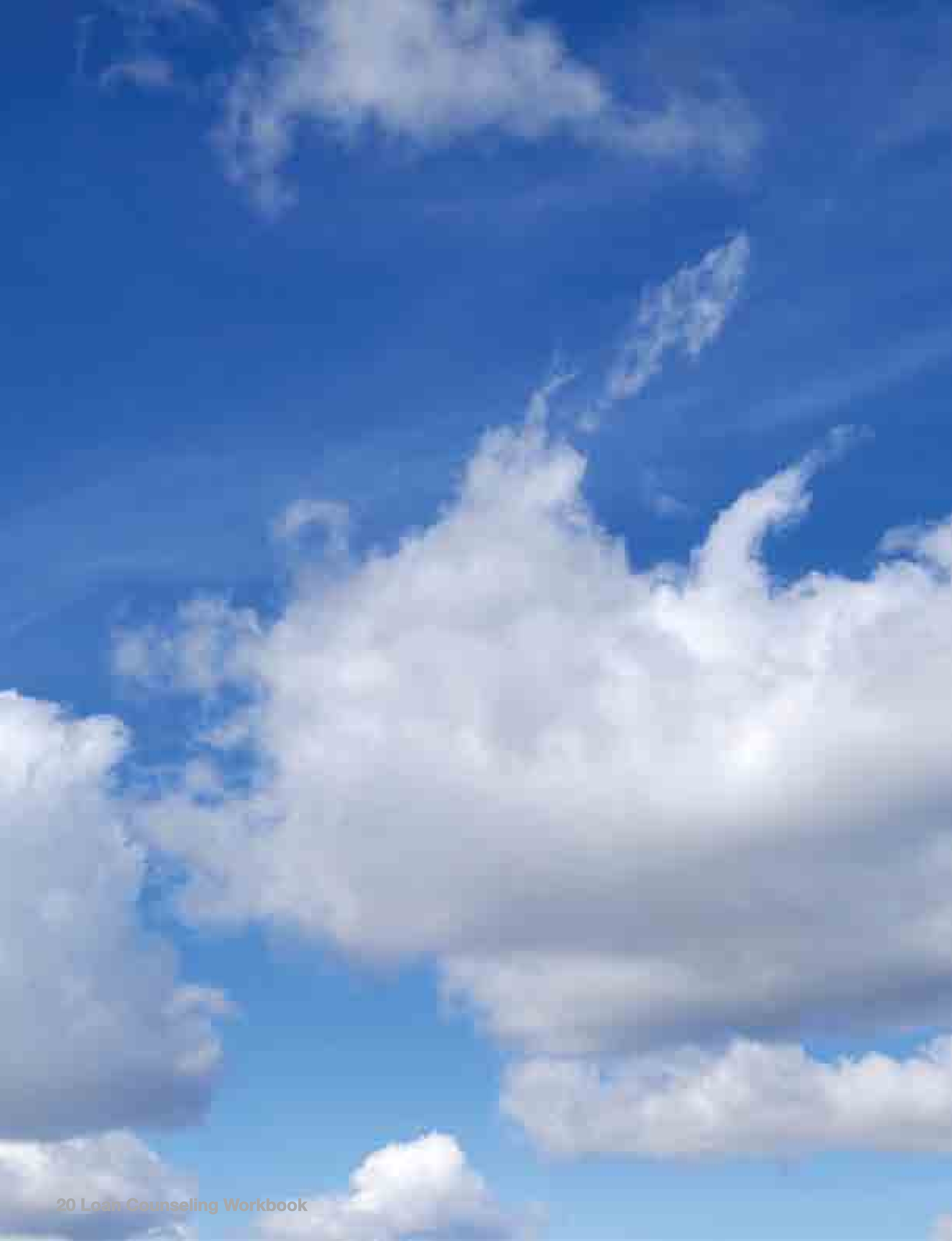
Most financial advisors recommend student loan payments not exceed 8% of monthly **gross** income.
In addition, the total non-mortgage debt (including student loans, car loans, and credit cards) should not exceed 12% of **net** income.

Don't get caught off guard

Do not be surprised if you receive repayment information from a different holder than the one listed on your loan application. Lenders often sell student loans to secondary markets. If your loan is sold, you will be notified in writing and given the name, address, and phone number of the new holder.

Remember:

Whether or not you receive repayment information, your loans are due when your grace period ends. If you are nearing repayment and have not received this information, contact your lender, loan holder, or guarantor.



LOAN COUNSELING APPENDIX

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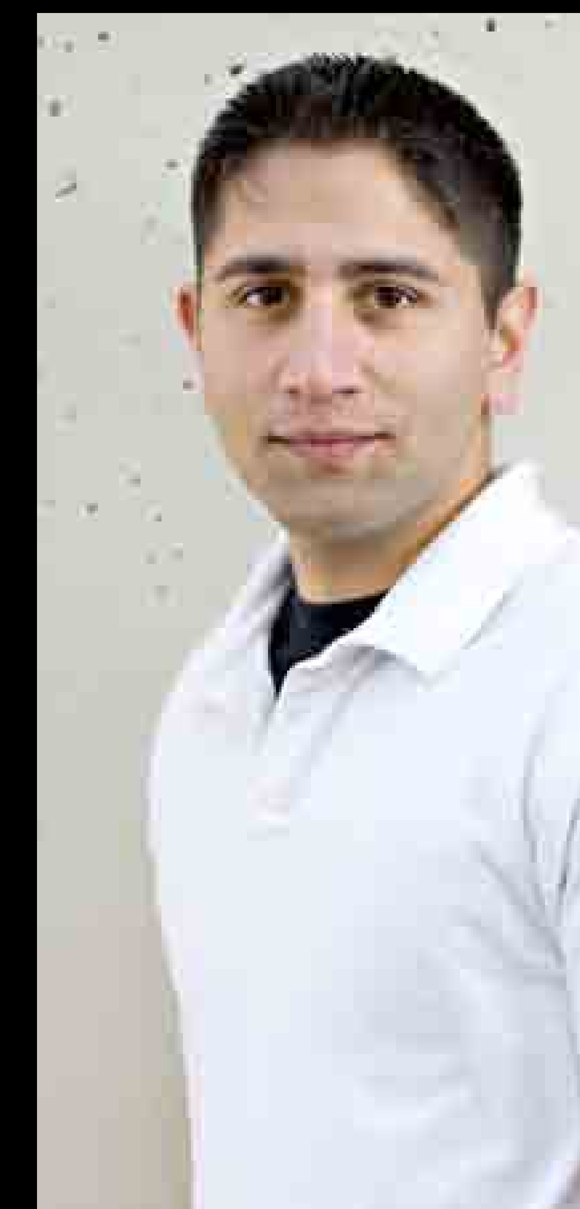


Payments and Repayments

Know when your first payment is due

Your loan holder will send you a repayment schedule before your first payment is due. This schedule contains detailed information about your loan payments, including when your first and subsequent monthly payments are due.

Grace Period

Your grace period is the time period between the day you are no longer enrolled at least half time and the day you must begin repayment. Grace periods apply only to Federal Stafford Loan borrowers.

Military reservists who are called to active duty for more than 30 days while in school or in the grace period are entitled to an extension of the grace period, not to exceed three years. This three-year period may include the time necessary for you to re-enroll at the next regularly scheduled enrollment opportunity.

When Repayment Begins… Notify your loan holder any time your enrollment status changes!

Subsidized Federal Stafford Loan Borrowers
After you graduate, leave school, or drop to less than half-time enrollment, you have a six-month grace period before you must begin repayment. During this time, the federal government pays the interest that accrues on your subsidized loan(s).

Unsubsidized Federal Stafford Loan Borrowers
After you graduate, leave school, or drop to less than half time enrollment, you have a six-month grace period before you must begin repayment. However, as soon as your unsubsidized loan is disbursed, it begins accruing interest. If possible, you are encouraged to pay the interest as it accrues. If not, your lender will capitalize the interest when you begin repayment, increasing your total loan debt.

Federal PLUS Borrowers
The first payment is due* within 60 days after the loan is fully disbursed; however, interest begins to accrue after the first disbursement. By signing the PLUS Loan MPN, the borrower authorizes the lender to capitalize unpaid interest that accrues before the first payment is due, or the borrower may choose to make interest payments during this period.

**Note: Federal PLUS borrowers may be eligible for an in-school deferment. (See page 30-31.)*

Federal Consolidation Loan Borrowers
The first principal payment is due within 60 days after the Federal Consolidation Loan is disbursed to the lender holding the underlying loan. Interest begins accruing the day the Federal Consolidation Loan is disbursed. If you consolidate your Federal Stafford Loan during your grace period, you will forfeit any remaining grace period. (See page 28.)

Payment Troubleshooting

Stay in touch with your loan holder. If you think you are going to miss a payment, contact your loan holder immediately!

If you are unable to make your scheduled student loan payments, you may qualify for a deferment or forbearance.

Subsidized Federal Stafford Loan Borrowers
The federal government will pay the interest that accrues during the deferment period.

Unsubsidized Federal Stafford, PLUS, and Most Consolidation Loan Borrowers
You are responsible for paying all interest that accrues during deferment periods; however, you may choose either to pay the interest during this time or to defer interest payments. Deferred interest payments will be capitalized (accumulated and added to the principal) when repayment begins, thus increasing your total loan debt.

Tax Benefits

There are several tax credits and deductions that tax filers who are attending postsecondary education or have borrowed federal student loans may be able to utilize.

Hope Scholarship Tax Credit
Families may be able to deduct up to $1,500 per student paid for tuition and fees during the first two years of college. Students must be enrolled at least half time in a degree or certificate program and must not have any felony drug convictions. The student(s) for whom the tax credit is requested must be listed on tax returns as dependents.

Lifetime Learning Tax Credit
For tax filers that have paid education-related costs, 20% of the first $10,000 in tuition and fees (up to $2,000) may be claimed after the first two years of postsecondary education. To be eligible, students must have been enrolled in at least one postsecondary course. The student(s) for whom the tax credit is requested must be listed on the tax return as dependents.

Student Loan Interest Deduction
Eligible student loan borrowers may deduct up to $2,500 of the interest paid on a federal student loan that was used to pay educational expenses.

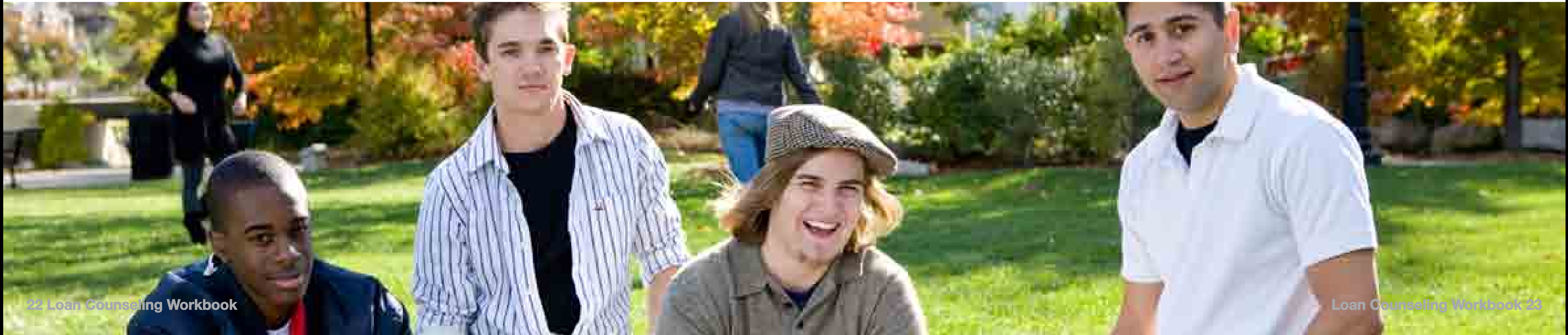
For more information these benefits, contact a tax advisor or visit www.irs.gov.

TIP

Make plans if you transfer.

If you transfer to a new school, contact your loan holder so they may obtain documentation of your last day of attendance at your previous school. Remember, your loan holder needs to know you are still enrolled in school. If you do not notify your loan holder, you may be placed into repayment status sooner than necessary, perhaps even while you are still in school.

Also, be sure to contact the financial aid offices at both schools—the one you transfer from and the one you transfer to.



Repayment Options

Contact your loan holder to find out more about the following repayment options:

Prepayment: Smartest Choice

Prepay all or part of your loan at any time without penalty. This may substantially decrease your total interest costs. Be sure to indicate on any prepayment that your loan holder should apply it to the principal.

Standard Repayment

- Lowest total cost if you are not prepaying.
- Fixed schedule of equal monthly payments.
- Maximum 10-year repayment period.
- Minimum $50 monthly payment.
- Ideal for borrowers capable of meeting full monthly principal and interest payments.

Standard Example

Loan Amount	$18,000
Years of Repayment	10 years (120 payments)
Monthly Repayment	$207.14
Total Interest Paid	$6,856.80
Total Amount Paid	**$24,856.80**

Graduated Repayment

- Graduated repayment offers short-term relief.
- Monthly schedule that starts with small payments and increases gradually over time.
- Maximum 10-year repayment period.
- Your loan holder will set your minimum monthly payment, which generally must equal at least the monthly interest charge. (Continue on page 18.)
- Assumes your income will grow over time to cover the increasing loan payments.
- You will pay greater total interest than if you had chosen the standard repayment plan.

Graduated Example

Loan Amount	$18,000
Years of Repayment	10 years (120 payments)
Beginning Monthly Repayment	$142.23
Final Monthly Repayment	$310.71
Total Interest Paid	$13,515.18
Total Amount Paid	**$31,515.18**

Income-Sensitive Repayment

- Offers a temporary safety net.
- Monthly schedule that fixes payments for one year at a time. Payments may increase or decrease each year as your income rises or falls.
- Maximum 10-year repayment period that can be extended annually up to five years if payments are less than the standard principal and interest.
- Your loan holder will set your minimum monthly payment based on income documentation you provide. Even if you are not required to, try to pay the amount of interest that will accrue on your loan each month. Otherwise, your loan balance will continue to grow.
- Monthly payments generally range from 4% to 25% of your monthly gross income.
- Substantially increases your total debt. Try to return to a standard repayment plan as soon as possible.

Income-Sensitive Example

Loan Amount	$18,000
Years of Repayment	10 years (120 payments)
Annual Salary (First 3 year)	$22,000
Monthly Repayment (First 3 years)	$73.33
Monthly Repayment (Last 7 years)	$287.03
Total Interest Paid	$8,750.04
Total Amount Paid	**$26,750.04**

Income-Based Repayment

This option is available to Stafford and graduate PLUS borrowers demonstrating "partial financial hardship." Under this repayment plan, your student loan payment would be no more than 15% of the difference between your adjusted gross income (AGI) and 150% of the poverty line for your family size. Visit www.ibrinfo.org for more information.

Income-Based Example

Loan Amount	$18,000
Years of Repayment	21.3 years (257 payments)
First Year AGI	$22,000
Expected Income after 1st year	$28,000
1st Monthly Repayment	$80.00
10th Monthly Repayment	$136.98
Maximum Monthly Repayment	$207.17
Total Interest Paid	$19,181.72
Total Amount Paid	**$37,854.08**

Extended Repayment

- Available if you received your oldest outstanding loan through the FFELP Program on or after October 7, 1998, and if your total FFELP Program debt exceeds $30,000.
- Fixed annual or graduated repayment schedule.
- Maximum 25-year repayment period.
- Your loan holder will set your minimum monthly payment, which must at least equal the amount of interest due. The minimum annual payment amount is $600.
- Substantially increases your total debt. Try to return to a standard repayment plan as soon as possible.

Extended Fixed Example

Loan Amount	$32,000
Years of Repayment	25 years (301 payments)
Monthly Repayment	$220.10
Total Interest Paid	$34,630.00
Total Amount Paid	**$66,630.00**

Extended Graduated Example

Loan Amount	$32,000
Years of Repayment	25 years (300 payments)
Beginning Monthly Repayment	$181.33
Final Monthly Repayment	$317.27
Total Interest Paid	$40,172.94
Total Amount Paid	**$72,172.94**

Consolidation: Option for Borrowers with One or More Student Loans

Combine one or more qualifying, outstanding student loans into one new loan with new terms. It features one payment and one lender. The interest rate is a fixed rate determined from the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8 of one percent (not to exceed 8.25%). Depending on your total education loan debt, you may qualify for an extended-repayment period of up to 30 years. Remember, you may forfeit deferment options you had on underlying loans (see pages 32 and 33). This plan includes lower monthly payments but greater total interest costs. While it may be a more affordable monthly payment option for those who have borrowed large amounts, the total payback amount is more.

TIP

Remember to read.

It is very important that you read all correspondence you receive about your FFELP loans, whether it is from your lender, loan holder, guarantor, secondary market, or collection agency. Also, keep a record of all communication in a MDHE *Loan Portfolio*.

Subsidized Loan Repayment Charts

Standard 10-year Repayment Period

Total Amount Borrowed	Monthly Minimum Payment	Total Interest Paid	Minimum Annual Salary	Minimum Hourly Salary
$5,000	$57.54	$1,904.83	$8,631.00	$4.15
$7,500	$86.31	$2,857.24	$12,946.50	$6.22
$10,000	$115.08	$3,809.66	$17,262.00	$8.30
$12,500	$143.85	$4,762.04	$21,577.00	$10.37
$15,000	$172.62	$5,714.45	$25,893.00	$12.45
$17,500	$201.39	$6,666.86	$30,208.00	$14.52
$20,000	$230.16	$7,619.27	$34,524.00	$16.60
$25,000	$287.70	$9,524.09	$43,155.00	$20.75
$30,000	$345.24	$11,428.91	$51,786.00	$24.90
$35,000	$402.78	$13,333.73	$60,417.00	$29.05
$42,500	$489.09	$16,190.96	$73,363.00	$35.27
$57,500	$661.71	$21,905.42	$99,256.00	$47.72
$65,000	$748.02	$24,762.65	$112,203.00	$53.94
$72,500	$834.33	$27,619.88	$125,149.00	$60.17
$87,500	$1,006.95	$33,334.35	$151,042.00	$72.62
$95,000	$1,093.26	$36,191.57	$163,989.00	$78.84
$102,500	$1,179.57	$39,048.80	$176,936.00	$85.07
$117,500	$1,352.19	$44,763.26	$202,829.00	$97.51
$138,500	$1,593.86	$52,763.50	$239,079.00	$114.94

All figures on pages 26 and 27 are based on a 6.8% annual interest rate and equal monthly payments, and assume the student is paying interest charges on any unsubsidized loans and not capitalizing interest while in school. When borrowing only subsidized Stafford Loans, the interest rate and payment amount may be lower.

Minimum salaries on pages 26 and 27 are based on the 8% recommendation: Student loan payments should not exceed 8% of your gross income.

All figures on pages 26 and 27 assume student is paying interest charges on any unsubsidized loans and not capitalizing the interest while in school.

You may be eligible for the extended repayment plan on page 27 if you received your first loan on or after October 7, 1998, and your total student loan debt exceeds $30,000.

Standard 25-year Repayment Period

Total Amount Borrowed	Monthly Minimum Payment	Total Interest Paid	Minimum Annual Salary	Minimum Hourly Salary
$30,000	$208.22	$32,466.48	$31,233.00	$15.02
$35,000	$242.92	$37,877.57	$36,439.00	$17.52
$42,500	$294.98	$45,994.19	$44,247.00	$21.27
$57,500	$399.09	$62,227.93	$59,863.00	$28.78
$65,000	$451.15	$70,344.05	$67,672.00	$32.53
$72,500	$503.20	$78,460.68	$75,480.00	$36.29
$87,500	$607.31	$94,693.92	$91,096.00	$43.80
$95,000	$659.36	$102,810.54	$98,905.00	$47.55
$102,500	$711.42	$110,927.17	$106,713.00	$51.30
$117,500	$815.53	$127,160.41	$122,330.00	$58.81
$138,500	$961.28	$149,886.95	$144,193.00	$69.32

All figures on pages 26 and 27 are based on a 6.8% annual interest rate and equal monthly payments, and assume the student is paying interest charges on any unsubsidized loans and not capitalizing interest while in school. When borrowing only subsidized Stafford Loans, the interest rate and payment amount may be lower.

Minimum salaries on pages 26 and 27 are based on the 8% recommendation: Student loan payments should not exceed 8% of your gross income.

All figures on pages 26 and 27 assume student is paying interest charges on any unsubsidized loans and not capitalizing the interest while in school.

You may be eligible for the extended repayment plan on page 27 if you received your first loan on or after October 7, 1998, and your total student loan debt exceeds $30,000.

Consolidation

If you are financially unable to manage your loans or if you have loans through different lenders or with different loan holders, you may want to consider applying for a Federal Consolidation Loan. Loan consolidation allows you to combine one or more qualifying, outstanding student loans into one new loan with new terms and one payment to a single lender. This may extend the overall length of your repayment period, reducing your monthly payment amounts.

Keep in mind these important facts about loan consolidation:

- The total amount you repay may be more because you are increasing the amount of time to repay the loan and the interest rate may be higher than the interest rates on your original loans.
- You may forfeit your eligibility for certain deferment options you had on the loans you consolidate.
- If you consolidate your loans during your grace period, you will forfeit the remaining grace period.

Contact your lender or loan holder to see if loan consolidation is the best option for you.

Loans Eligible for Consolidation

- Subsidized and Unsubsidized Federal and Direct Stafford Loans
- Federal and Direct PLUS Loans
- Federal Supplemental Loans for Students (SLS)
- Federal Perkins Loans
- Auxiliary Loans to Assist Students (ALAS) made before October 17, 1986
- Federal Insured Student Loans
- Health Professions Student Loans including Loans for Disadvantaged Students
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans

Interest Rate

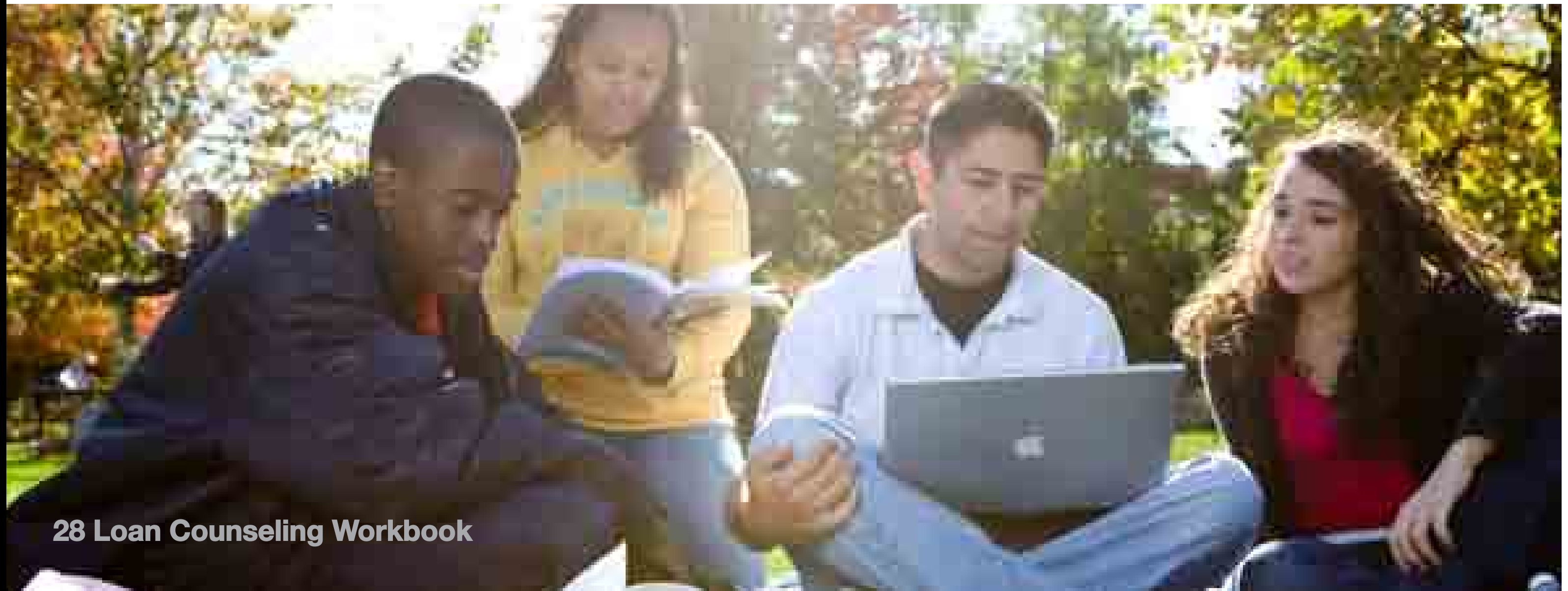
Generally, the interest rate on a Federal Consolidation Loan is a fixed rate determined from the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8 of one percent. A Federal Consolidation Loan's interest rate cannot exceed 8.25%.

If you consolidate a HEAL loan, any portion of the consolidated loan that repays your HEAL loan has a separate, variable interest rate that changes annually.

Maximum Repayment Period

The maximum time you are allowed to repay a Federal Consolidation Loan varies, depending on the amount of your loan and any outstanding amounts you owe on education loans that are not included in the consolidation.

Less than $7,500	10 years
$7,500 - $9,999	12 years
$10,000 - $19,999	15 years
$20,000 - $39,999	20 years
$40,000 - $59,999	25 years
$60,000 or more	30 years



Forbearance

Forbearance is a period of time during which you are permitted to temporarily stop making payments or reduce the amount of your payment. Forbearance may be granted when you are willing but temporarily unable to make full or partial payments and do not qualify for a deferment (e.g., due to a financial hardship).

The two main differences between deferment and forbearance are:

- During a deferment, subsidized Federal Stafford Loan borrowers do not have to pay interest that accrues, but during forbearance, all borrowers are responsible for paying interest.
- Receiving a deferment is one of your rights as a borrower (provided you qualify and are not in default on your loan). However, in most cases, your loan holder decides whether to grant forbearance, under what conditions, and for what length of time. Loan holders are required, under certain circumstances, to grant forbearance to a borrower.

Contact your loan holder for more information about eligibility requirements and application procedures. It is your responsibility to provide all documentation required to process a deferment or forbearance in a timely manner.

Discharge
(also known as "loan forgiveness" or "cancellation")

Your student loan or a portion of your student loan may be discharged. In other words, you would not have to repay the loan or a portion of the loan for the reasons listed below.

Total and Permanent Disability Discharge:
If a physician certifies that a borrower is unable to work and earn money because of a condition that is expected to continue indefinitely or result in death.

Death Discharge: If a borrower (or student for whom a parent receives a Federal PLUS Loan) dies.

False Certification Discharge: If a school falsely certifies the borrower's eligibility for the loan or if there is an identity theft crime.

Closed School Discharge: If a borrower receives loan funds to attend a school that closes before the student can complete the program. (The school must close within 90 days of the student's last date of attendance.)

Unpaid Refund Discharge: If a borrower (or student for whom the parent receives a Federal PLUS Loan) withdraws from, is terminated from, or does not attend the school and the borrower does not receive the benefit of a refund because the school fails to return loan funds to the lender.

Teacher Loan Forgiveness: If a Federal Stafford Loan borrower whose oldest outstanding FFELP loan was disbursed on or after October 1, 1998, teaches full time in low-income Title I schools for five consecutive, complete academic years.

Child Care Provider Forgiveness: If a Federal Stafford Loan borrower whose oldest outstanding loan was disbursed on or after Oct. 1, 1998, has an associate or bachelor's degree in early childhood education and works at least two consecutive years in a child care facility that serves a low-income community. (While new applicants are not being accepted into the program because no additional funding has been provided, applications for renewal benefits are available for those borrowers who have previously been granted forgiveness under the Child Care Provider Loan Forgiveness Program.)

TIP
Take extra precautions.

If you request a deferment or forbearance in writing or e-mail, keep a copy of your request in your MDHE *Loan Portfolio*. If you make the request by phone, document the call.

Follow up with your loan holder to see if the deferment or forbearance request was acted upon.

Do not assume the loan holder approved your deferment or forbearance request until you receive written notification from them.

Deferments

A deferment is a period of time during which you may postpone payments (e.g., while you are attending school at least half time, unemployed, or experiencing an economic hardship). You may qualify for other types of deferment if you borrowed your oldest outstanding FFELP loan before July 1, 1993. Deferment eligibility criteria are very specific and are outlined by the U.S. Department of Education.

Remember: Your eligibility for a deferment is based on when your oldest outstanding FFELP loan was first disbursed.

Borrowers with outstanding loans first disbursed before July 1, 1993, may qualify for other types of deferments. Consult the chart on page 33 and contact your loan holder for more information.

Type of Deferments:

Economic Hardship – For borrowers who earn less than the minimum wage or who earn less than 150% of the poverty line by family size.

Graduate Fellowship – For borrowers engaged in full-time study under a graduate fellowship program approved by the U.S. Department of Education.

In-School – For borrowers enrolled at least half time at an eligible institution. Beginning July 1, 2008 parent PLUS borrowers may also request an in-school deferment when the student for whom the loan was borrowed is enrolled at least half time.

Military – For borrowers serving on active duty or performing qualifying National Guard duty during war, military operation, or national emergency.

Rehabilitation Training Program – For borrowers engaged in study under a U.S. Department of Education approved rehabilitation training program for persons with disabilities.

Unemployment – For borrowers who are actively seeking, but unable to find, full-time employment in the United States. (Note: A borrower is not eligible if he or she refuses to consider positions, salaries, or responsibility levels for which he or she feels overqualified.)

References for chart on page 31.

[1] “New Borrower” 7/1/87 to 6/30/93: A borrower whose first FFELP loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993, or who had no outstanding balance on a Federal Consolidation loan made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987

[2] “New Borrower” 7/1/93: A borrower whose outstanding FFELP loans were all made on or after July 1, 1993, and when his or her first FFELP loan was made on or after July 1, 1993, had no outstanding FFELP loans that were made before July 1, 1993.

[3] A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower’s spouse) who is temporarily totally disabled.

[4] Borrowers are eligible for a combined maximum of 3 years of deferment for service in NOAA, PHS, and Armed forces.

[5] A parental leave deferment may be granted to a borrower in periods of no more than 6 months each time the borrower qualifies.

[6] Deferment for parent borrower during which the dependent student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements.

[7] A borrower who received a Federal Consolidation loan made before July 1, 1993, that repaid a loan made before July 1, 1987, or who had an outstanding balance on a FFELP loan obtained prior to July 1, 1987, when the Federal Consolidation loan was obtained, is eligible for in-school deferment only if the borrower attends school full time.

[8] A borrower with a Federal Consolidation loan made before July 1, 1993, or borrower who receives a Consolidation loan on or after July 1, 1993, who has any outstanding FFELP loan(s) at the time of consolidation that was first disbursed before July 1, 1993.

[9] A borrower who receives a Federal Consolidation loan made on or after July 1, 1993, who has no outstanding FFELP loans at the time or consolidation that were made on or before July 1, 1993.

Types and Eligibility

			Stafford & SLS Loans		PLUS Loans		Consolidation Loans	
Form	**Deferment Type**	**Time Limit**	**New[1] Borrower 7/1/87 to 6/30/93**	**New[2] Borrower 7/1/93**	**New[1] Borrower 7/1/87 to 6/30/93**	**New[2] Borrower 7/1/93**	**Pre 7/1/93 Borrower[8]**	**New Borrower 7/1/93[9]**
Borrower-Based Deferments								
SCH	In School: Full-Time	None	●	●	●	●	●	
	In School: Half-Time[7]	None	●	●	●	●	●	
EDU	Graduate Fellowship	None	●	●	●	●	●	
	Rehabilitation Training	None	●	●	●	●	●	
	Teacher Shortage	3 Years	●					
	Internship/Residency Training	2 Years	●					
TDIS	Temporary Total Disability[3]	3 Years	●		●		●	
PUB	Armed Forces or Public Health Services[4]	3 Years	●					
	National Oceanic & Atmospheric Administration Corps[4]	3 Years	●					
	Peace Corps, ACTION Program and Tax-Exempt Organization Volunteer	3 Years	●					
UNEM	Unemployment	2 Years	●		●		●	
	Unemployment	3 Years		●		●		
PLWM	Parental Leave[5]	6 Months	●					
	Mother Entering/Reentering Work Force	1 Year	●					
HRD	Economic Hardship	3 Years		●		●		
PLUS[6]	In School: Full-Time	None			●			
	In School: Half-Time	None			●			
	Rehabilitation Training	None			●			
Loan-Based Deferments			**Stafford Loans**		**PLUS Loans**		**Consolidation Loans**	
MIL	Military	3 Years	Loans first disbursed on or after 7/1/2001		Loans first disbursed on or after 7/1/2001		All underlying Title IV loans must have been first disbursed on or after 7/1/2001	

See page 30 for chart references.

Default Prevention

Default can ruin your credit.

Loans are not gifts or grants. They must be repaid!

You will be considered delinquent on your loan if you are late making a payment. Delinquencies are reported to national credit bureaus. If you allow your account to default, the consequences will be serious.

Being in default is a violation of your loan agreement. You will be considered in default if you are 270 days or more late on a scheduled student loan payment. Your loan holder will assume you have no intention of repaying your loan and will file a default claim with your guarantor.

Some of the consequences of defaulting on a student loan include:

- Your default, the most severe credit rating,will be reported to national credit bureaus and will remain on your credit report for seven years after your loan is paid in full. The negative credit rating may impact your ability to obtain other credit in the future for major purchases such as a car or a home.
- Your loan, including unpaid interest, will become immediately due and payable in full.
- Your loan may be turned over to a collection agency and you may be charged collection costs.
- You will no longer be eligible for deferments, forbearances, or various repayment plans.
- Your guarantor or the U.S. Department of Education may file a lawsuit against you to collect the debt.
- Your federal Treasury payments (e.g., federal tax refunds and Social Security payments) and state tax refunds may be withheld and applied toward your outstanding loan balance.
- Up to 15% of your disposable wages may be taken and applied to your defaulted loan.
- You will be ineligible to receive any federal or state financial assistance funds to continue your education.
- Even though you retain your right to review your academic records, a hold may be placed on your official academic transcript.
- Your default will have an adverse effect on the Federal Family Education Loan Program and could jeopardize the education opportunities of future students.

You can avoid default!

There is no reason to default. The key to preventing default is communication. Your loan holder can only help you if you communicate at the first sign of a problem with repayment. Contact your loan holder the first time you are unable to make your payment.

If you cannot pay:

- Check your eligibility for a deferment or forbearance. (See pages 29-31.) Your loan holder will help you determine if you qualify.
- Consider a Federal Consolidation Loan, which may allow you to repay your total loan debt over a longer repayment period, resulting in smaller monthly payments. (See page 28.)
- Ask about options such as graduated, income-sensitive, and extended-repayment plans (See page 24-25.)
- Review your budget and, if necessary, seek professional financial counseling

Remember to contact your loan holder if:

- Your address or phone number changes
- You do not hear from your loan holder during your grace period
- Your name, employer, or Social Security number changes

FSA Ombudsman

If you have a question or concern about your student loan, first contact your school, lender, or guarantor. Another resource available to you is the U.S. Department of Education's Federal Student Aid (FSA) Ombudsman. The FSA Ombudsman works with student loan borrowers to help informally resolve student loan disputes and problems.

The toll-free Ombudsman Customer Service Line is (877) 557-2575.

The mailing address is:
U.S. Department of Education
FSA Ombudsman
830 First Street, NE Fourth Floor
Washington, DC 20202-5144.
For more information, visit **www.ombudsman.ed.gov**.

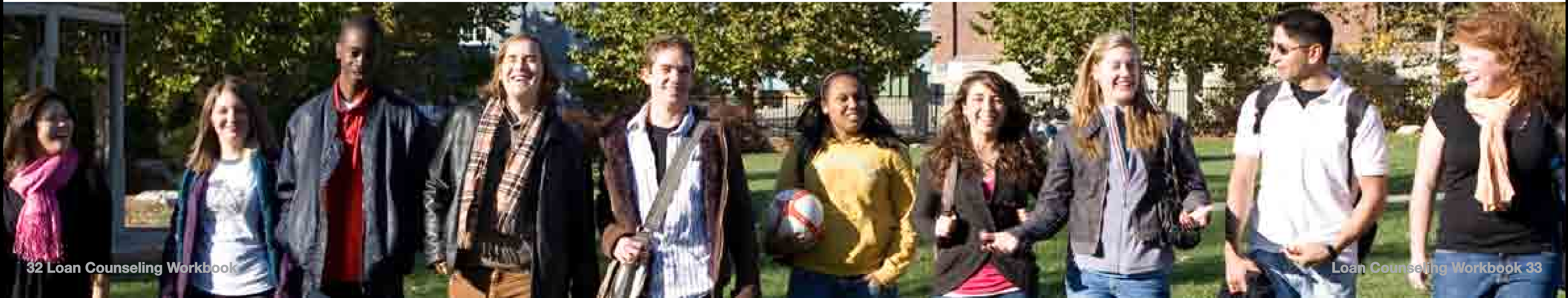
Prepayment: Smartest Choice

Look ahead and anticipate any difficulties you might have in meeting payment responsibilities. When you foresee problems, do not procrastinate. Take action right away!

TIP

Don't slip through the cracks.

If you default, you face serious penalties. Unlike consumer debt, such as credit cards and car loans, there is no statute of limitation on collecting federal student loan debt. Also, keep in mind that interest continues to accrue on the debt and collection costs may be added. Years of not making payments on a student loan will substantially increase your total debt.



Glossary

Adjusted Gross Income (AGI)– the amount used to calculate income tax liability.

Borrower – The person who obtains the loan from the lender.

Cancellation – See Discharge.

Collection Costs – If a borrower defaults on a student loan, the guaranty agency may charge the borrower for the costs of collecting the defaulted loan, which will significantly increase the total debt.

Consolidation – The combining of one or more qualifying, outstanding student loans into one new loan with new terms. Generally, this results in lower monthly payments, but greater total interest costs. (See page 28)

Credit Bureau – An organization that maintains information on a person's credit history. Financial institutions and other creditors, employers, and landlords obtain credit bureau reports for information about a person's credit rating. Defaulted student loans are reported to credit bureaus and remain on the borrower's credit report for seven years after the account is paid in full.

Default – A loan is considered to be in default when the account is 270 days delinquent. At that point, the loan holder concludes that the borrower does not intend to repay the loan and a default claim is filed with the guarantor. (See pages 32-33.)

Deferment – A period of time during which a borrower may postpone payments and the U.S. Department of Education pays the accruing interest for subsidized Stafford Loan borrowers. (See pages 30-31.)

Delinquency – Failure to make a full payment when it is due. (See page 22-23.)

Discharge (or Loan Forgiveness/ Cancellation) – The release of a borrower's obligation to repay all or part of a loan. (See page 29.)

Eligible School – A postsecondary institution approved by the U.S. Department of Education for participation in the Federal Family Education Loan Program (FFELP). A school's financial aid office will determine a borrower's eligibility for many types of financial aid, including grants, scholarships, and loans, and will process the loan application.

Endorser (or Co-signer) – A person who agrees to repay the loan if the borrower does not.

Federal Government – The federal government regulates the Federal Family Federal Education Loan Program (FFELP); Congress makes the laws for FFELP and the U.S. Department of Education regulates and enforces them.

Fees – Federal Stafford Loan and PLUS borrowers may be charged two types of fees when the loan is disbursed:

- **Origination Fee (OFee) -** A fee charged to offset the federal government's cost of making FFELP loans. This fee, if charged to the borrower, may be subtracted from the borrower's loan proceeds at the time of disbursement. (See page 8.)
- **Federal Default Fee (FDF) -** A fee charged to offset the risk of default and its subsequent costs. This one percent fee, if charged to the borrower, may be subtracted from the borrower's loan proceeds at the time of disbursement. (See page 8.)

FFELP – The Federal Family Education Loan Program is a federal student loan program made up of subsidized and unsubsidized Federal Stafford Loans, PLUS Loans, and Federal Consolidation Loans.

Forbearance – A period of time during which a borrower is permitted to temporarily stop making payments or reduce the amount of payment. (See page 29.)

FSA Ombudsman – An office within the U.S. Department of Education that works with student loan borrowers to informally resolve loan disputes and problems. (See page 33.)

Grace Period – The time period between the day a student is no longer enrolled at least half time and the day the borrower must begin repayment. (See page 22.)

Guaranty Agency (or Guarantor) – An organization that administers the Federal Family Education Loan Program (FFELP) on behalf of the U.S. Department of Education. If a borrower defaults on a loan, the guaranty agency will pay the lender for the loan and collect the loan from the defaulted borrower. The guarantor is listed on the Notice of Loan Guarantee the borrower receives from the lender.

Holder – See Loan Holder.

Interest – The cost of borrowing money.

- **Simple interest** is calculated on the principal portion of a student loan.
- **Variable interest** is tied to a certain index (depending on the loan) and changes periodically as the index changes.
- **Fixed interest** does not change.
- **Accrued interest** is calculated on the unpaid principal balance each day. The interest builds gradually on the loan and is payable by the borrower or federal government, depending on the loan type.
- **Capitalized interest** is unpaid, accrued interest that is added to the principal balance. When interest is capitalized, the total debt increases.

(Glossary continues on page 35.)

Lender – A bank, savings and loan, or credit union that provides the actual loan funds. Some lenders will service (i.e., handle correspondence for) a loan while the borrower is in school. Other lenders contract with secondary markets to perform those functions and will sell a loan to that secondary market when the loan enters repayment.

Loan Forgiveness – See Discharge.

Loan Holder – A lender or secondary market that purchases a student loan and has the right to collect from the borrower.

Master Promissory Note – A Master Promissory Note (MPN) allows the borrower to receive multiple loans from the same lender over the course of up to 10 years without signing another promissory note. (See page 10.)

Missouri Department of Higher Education (MDHE) Student Loan Program – Missouri's designated guaranty agency.

National Student Loan Data System (NSLDS) – A system that tracks student loans from the time they are approved until they are paid in full. Borrowers can access loan records in NSLDS online at **www.nslds.ed.gov**. (See pages 5 & 17)

Notice of Loan Guarantee – A form a borrower receives from the lender containing the names, addresses, and phone numbers of the guarantor, school, and lender, as well as the total original amount of student loans guaranteed by the guarantor, the disbursement dates set by the school, and specifications of the interest rate.

Principal – The face value of a loan or the amount on which interest is charged (i.e., the actual amount borrowed).

Promissory Note – The legal and binding contract a borrower signs promising to repay a loan. (Also see Master Promissory Note.)

Repayment Schedule (or Disclosure of Terms) – A document with information about the terms of repayment, such as the monthly payment amount, the number of payments, the first due date, and subsequent due dates. (See pages 22-23.)

Satisfactory Academic Progress– To remain eligible for Federal Family Education Loan Program (FFELP) loans, students must maintain satisfactory academic progress as defined by the school.

Secondary Market – Secondary markets purchase student loans from lenders and service them until they are paid in full. Borrowers are notified in writing if lenders sell their loans to secondary markets.

Servicer – Private companies that many schools, lenders, guaranty agencies, and secondary markets contract with to handle student loan processing.

State Tax Offset – The withholding of a defaulted borrower's state income tax refund to pay a student loan debt.

Subsidized (or Interest Subsidy) – The federal government pays the interest on a loan while the borrower is enrolled in school at least half time, during authorized deferment periods, and during the grace period. Borrowers are not required to make any principal or interest payments during these periods. (See page 8-9.)

Treasury Offset – The withholding of a defaulted borrower's federal Treasury payments, such as federal tax refunds or Social Security payments, to pay a student loan debt.

Unsubsidized – The federal government does not make any interest payments on an unsubsidized loan. Like a subsidized loan, borrowers do not have to make any principal payments on an unsubsidized loan while enrolled in school at least half time, during authorized deferment periods, and during the grace period. However, unpaid interest will be added to the principal balance of the borrower's loan. (See page 8-9.)

Wage Garnishment – The withholding of up to 15% of a borrower's wages to pay a defaulted student loan debt.

Since his days as a high school student, **Syed Adil Shabbir** aspired to become an on-air reporter. Now, he's living out his dream at KOMU-TV8. A senior at the University of Missouri-Columbia, Adil Shabbir is a broadcast journalism major with a minor in political science. When he's not in front of the camera, Adil Shabbir enjoys playing flag football and working at a local restaurant. In five years, Adil Shabbir would like to marry and have a career as a broadcast reporter.

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Exit Interview Verification Form

Complete and return to: MDHE c/o ASA, PO Box 55757, Boston, MA 02205

Student Information *Please Print Clearly*

Name (last, first, MI) ______________________ Date of Birth ______________________

Driver License (state and number) ______________________ Social Security Number ______________________

Permanent Address (street, city, state, zip) ______________________

Permanent Phone ______________________ E-mail Address ______________________

Spouses' Name ______________________

Next of Kin's Name ______________________ Phone ______________________

Address (street, city, state, zip) ______________________

Two Relatives/Adults (who are not residing at next of kin's address and who will always know your whereabouts)

1. Name ______________________ Phone ______________________

Address (street, city, state, zip) ______________________

2. Name ______________________ Phone ______________________

Address (street, city, state, zip) ______________________

Future Plans (Check off and complete all that apply.)

❏ I plan to be employed by (company name) ______________________

Expected Employer's Address (street, city, state, zip) ______________________

❏ I plan to re-enroll at (institution name) ______________________ effective (mo/year) ____________

❏ I plan to perform military service in (branch name) ______________________ effective (mo/year) ____________

❏ Other ______________________

Borrower Rights and Responsibilities Checklist **(Check off each box to indicate you understand each statement.)**

I understand I have a RIGHT to:

❏ Notification, in writing, if my loan is sold or transferred, showing the name, address, and phone number of the new holder. I must direct all future correspondence to that new holder.
The current holder of my loan is: ______________________
My guaranty agency is: ______________________

❏ Receive information about the availability of the income-sensitive repayment schedule options before my first payment is due, specifying the amount of monthly principal and interest payments, the first due date, and subsequent due dates.

❏ Defer repayment for a defined period if I qualify and if I request it from my lender/holder.

❏ Request a forbearance from my lender/holder if I do not qualify for a deferment and if I am unable to make payments on my loan.

❏ Prepay all or any part of the amount I owe without penalty.

❏ A standard minimum monthly loan payment of $50, which can be more depending on the amount I borrow OR less with a graduated or income-sensitive repayment option.

❏ A maximum of 10 years to repay my loan, unless my loans are consolidated or I qualify for the extended repayment schedule option. Extending my repayment term may increase my total debt.
Repayment begins:
- After a six-month grace period for subsidized Federal Stafford Loans.
- After a six-month grace period for unsubsidized Federal Stafford Loans, even though interest accrues when I am in school and can be paid or added to my principal balance when I enter repayment.
- Within 60 days of the last disbursement for PLUS Loans, unless a deferment has been approved.

I understand:

❏ I must repay my loan and all accrued and/or capitalized interest and fees according to the established repayment schedule even if I drop out of school, cannot find a job, or am dissatisfied with the education I receive.

❏ I must notify my lender(s)/holder(s) if I:
- Change my address
- Change my name
- Change my phone number
- Change my Social Security number
- Re-enroll in school
- Transfer to another school
- Change my graduation date

❏ If I fail to repay my loan, I will be considered in default and the following may result:
- My loan will be reported to national credit bureaus and will have a negative effect on my credit rating for at least seven years.
- The entire unpaid amount of my loan, including interest, will become immediately due and payable.
- My federal Treasury payments and state income tax refunds may be withheld.
- My wages may be garnished.
- I may be ineligible to receive any additional federal or state financial aid funds.
- My loan may be turned over to a collection agency.
- My guarantor or the U.S. Department of Education may file a lawsuit to collect the debt.

I have read and understand all of the above information as well as the borrower's rights and responsibilities section contained on my promissory note. I also understand that my student loans are generally not dischargeable through bankruptcy.

Borrower Signature ______________________ **Date** ____________

White Copy - School **Yellow Copy - School** **Pink Copy - Student**

Entrance Interview Verification Form

Student Information

Please Print Clearly

Name (last, first, MI) ____________________ Date of Birth ____________________

Driver License (state and number) ____________________ Social Security Number ____________________

E-mail Address ____________________

School/Temporary Address (street, city, state, zip) ____________________

School/Temporary Phone ____________________

Permanent Address (street, city, state, zip) ____________________

Permanent Phone ____________________

Borrower Rights and Responsibilities Checklist (Check off each box once you understand each statement.)

I understand I have a RIGHT to:

- ❏ Choose my lender.
- ❏ Choose my guarantor.
- ❏ Notification, in writing, if my loan is sold or transferred, showing the name, address, and phone number of the new holder. I must direct all future correspondence to that new holder.

  The current holder of my loan is: ____________________

  My guaranty agency is: ____________________
- ❏ Receive information about the availability of the income-sensitive repayment schedule options before my first payment is due, specifying the amount of monthly principal and interest payments, the first due date, and subsequent due dates.
- ❏ Defer repayment for a defined period if I qualify and if I request it from my lender/holder.
- ❏ Request a forbearance from my lender/holder if I do not qualify for a deferment and if I am unable to make payments on my loan.
- ❏ Prepay all or any part of the amount I owe without penalty.
- ❏ A standard minimum monthly loan payment of $50, which can be more depending on the amount I borrow OR less with a graduated or income-sensitive repayment option.
- ❏ A maximum of 10 years to repay my loan, unless my loans are consolidated or I qualify for the extended repayment schedule option. Extending my repayment term may increase my total debt. Repayment begins:
  - After a six-month grace period for subsidized Federal Stafford Loans.
  - After a six-month grace period for unsubsidized Federal Stafford Loans, even though interest accrues when I am in school and can be paid or added to my principal balance when I enter repayment.
  - Within 60 days of the last disbursement for PLUS Loans, unless a deferment has been approved.
- ❏ A copy of my promissory note (either before or at the time my loan is made).
- ❏ Reduce or refuse the amount of loan funds my school tells me I am eligible to receive.

I understand:

- ❏ I must repay my loan and all accrued and/or capitalized interest and fees according to the established repayment schedule even if I drop out of school, cannot find a job, or am dissatisfied with the education I receive.
- ❏ I must notify my lender(s)/holder(s) if I:
  - Change my address
  - Change my name
  - Change my phone number
  - Change my Social Security number
  - Withdraw from school
  - Drop below half-time attendance
  - Transfer to another school
  - Change my graduation date
- ❏ I must attend an exit interview before I leave school.
- ❏ If I fail to repay my loan, I will be considered in default and the following may result:
  - My loan will be reported to national credit bureaus and will have a negative effect on my credit rating for at least seven years.
  - The entire unpaid amount of my loan, including interest, will become immediately due and payable.
  - My federal Treasury payments and state income tax refunds may be withheld.
  - My wages may be garnished.
  - I may be ineligible to receive any additional federal or state financial aid funds.
  - My loan may be turned over to a collection agency.
  - My guarantor or the U.S. Department of Education may file a lawsuit to collect the debt.

I have read and understand all of the above information as well as the borrower's rights and responsibilities section contained on my promissory note. I also understand that my student loans are generally not dischargeable through bankruptcy.

Borrower Signature ____________________ **Date** ____________

White Copy-School **Yellow Copy-Student**